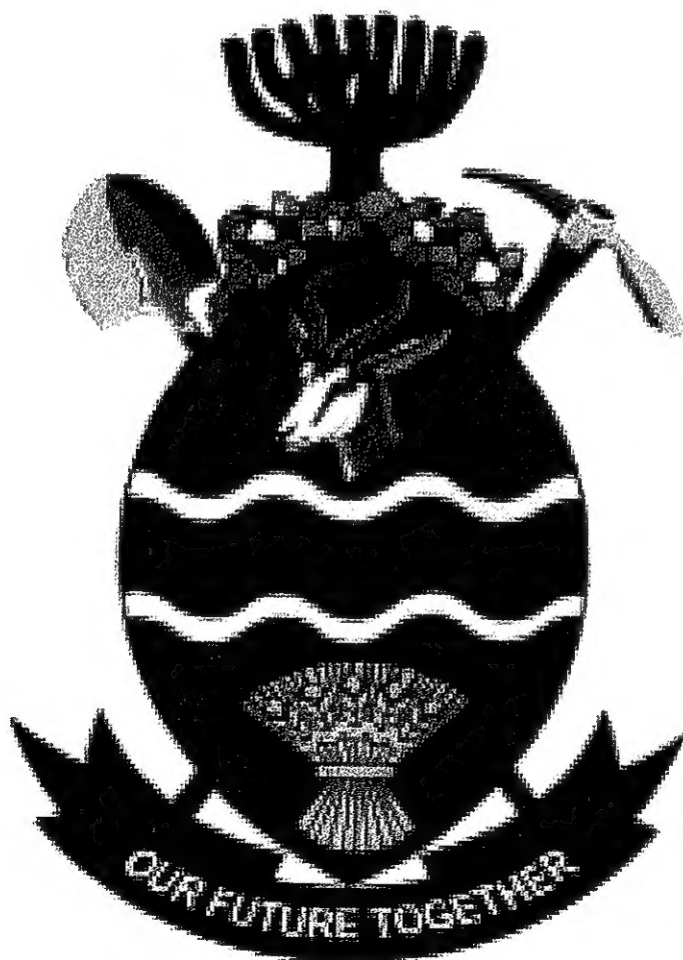


Annual Financial Statements

30 June 2013

MOOKGOPHONG LOCAL MUNICIPALITY





Annual Financial Statements

for

MOOKGOPHONG LOCAL MUNICIPALITY

for the year ended 30 June: **2013**

Province:

Limpopo

AFS rounding:

R (i.e. only cents)

Contact Information:

| | |
|--|--------------------------------|
| Name of Municipal Manager: | N P Magwala |
| Name of Chief Financial Officer: | D. Eksteen |
| Contact telephone number: | 014 743 6600 |
| Contact e-mail address: | dewaldeatwork@gmail.com |
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| Contact telephone number: | 152 918 563 |
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| Name of relevant Auditor: | Auditor - General South Africa |
| Contact telephone number: | 015 283 9300 |
| Contact e-mail address: | dledwaba@agsa.co.za |
| Name of contact at National Treasury: | Thomas Matjeni |
| Contact telephone number: | thomas.matjeni@treasury.gov.za |
| Contact e-mail address: | 012 315 5792 |

MOOKGOPHONG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

General information

Members of the Council

| | |
|-------------------|-------------------|
| N S Monyamane | Mayor |
| R M Kekana | Chief Whip |
| S A Magowa | Member |
| K S Lamola | Member |
| L W Koia | Member |
| M S Langa | Member |
| C N van der Merwe | Member |
| H P Louw | Member |
| S P Mafuna | Member |
| J H Kleynhans | Member |

Municipal Manager

N.P. Magwala

Chief Financial Officer

D. Eksteen

Grading of Local Authority

2

Auditors

Auditor-General

Bankers

ABSA

Registered Office:

Municipal Offices

Physical address:

Nelson Mandela Drive
Mookgophong
0560

Postal address:

Private Bag X340
Mookgophong
0560

Telephone number:

014 743 6600

Fax number:

014 743 2434

E-mail address:

dewaldeatwork@gmail.com

MOOKGOPHONG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 43, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 31 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



N.P. Magwala
Municipal Manager

DATE : 30 August 2013

MOOKGOPHONG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

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MOOKGOPHONG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2013

| | Note | 2013 R | 2012 R |
|--|------|--------------------|--------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 1 | 339 922 | 6 542 785 |
| Trade and other receivables from exchange transactions | 2 | 30 738 682 | 22 807 090 |
| Other receivables from non-exchange transactions | 3 | 765 566 | 744 466 |
| Inventories | 4 | 1 014 901 | 1 420 948 |
| Investments | 6 | - | - |
| VAT receivable | 14 | - | - |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 213 858 699 | 212 994 800 |
| Intangible assets | 8 | 151 426 | 245 849 |
| Investment property carried at fair value | 9 | 11 563 608 | 11 563 608 |
| Total assets | | 258 432 804 | 256 319 546 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Bank overdraft | 1 | 6 331 879 | 5 418 329 |
| Trade and other payables from exchange transactions | 12 | 19 174 957 | 8 502 523 |
| Consumer deposits | 13 | 3 389 191 | 3 074 508 |
| VAT payable | 14 | 4 441 965 | 1 425 818 |
| Current provisions | 15 | 4 150 121 | 3 590 322 |
| Current portion of unspent conditional grants and receipts | 16 | 9 600 692 | 17 953 604 |
| Current portion of finance lease liability | 17 | 39 739 | 264 333 |
| Non-current liabilities | | | |
| Non-current finance lease liability | 17 | - | - |
| Non-current provisions | 18 | 9 889 063 | 7 262 575 |
| Defined benefit plan obligations | 47 | 13 365 118 | 9 449 637 |
| Total liabilities | | 70 382 725 | 56 941 649 |
| Net assets | | 188 050 079 | 199 377 897 |
| NET ASSETS | | | |
| Accumulated surplus / (deficit) | | 188 050 079 | 199 377 897 |
| Total net assets | | 188 050 079 | 199 377 897 |

MOOKGOPHONG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2013

| | Note | 2013 R | 2012 R |
|---|-------------|---------------------|---------------------|
| Revenue | | | |
| Property rates | 19 | 16 902 391 | 15 285 592 |
| Service charges | 20 | 42 710 167 | 41 922 666 |
| Rental of facilities and equipment | 21 | 147 889 | 66 316 |
| Interest earned - external investments | 22 | 297 819 | 250 757 |
| Interest earned - outstanding receivables | 23 | 2 931 813 | 2 148 561 |
| Fines | 24 | 43 463 | 90 995 |
| Licenses and Permits | 25 | - | - |
| Income from agency services | 26 | 4 601 916 | 3 526 542 |
| Government grants and subsidies : Operating | 27 | 29 287 322 | 24 786 335 |
| Government grants and subsidies : Capital | 27 | 18 678 588 | 3 972 916 |
| Public contributions and donations | 28 | - | - |
| Other revenue | 29 | 645 616 | 378 612 |
| Total revenue | | 116 246 984 | 92 429 292 |
| Expenses | | | |
| Employee related costs | 30 | 42 351 462 | 36 189 482 |
| Remuneration of councillors | 31 | 2 858 289 | 2 478 789 |
| Debt impairment | 2 | 3 336 900 | 1 222 975 |
| Depreciation and asset impairment | 7 | 17 528 581 | 18 246 039 |
| Finance costs | 32 | 1 343 086 | 1 160 300 |
| Bulk purchases | 33 | 32 125 371 | 28 556 706 |
| Materials | 34 | 4 156 022 | 3 758 401 |
| Contracted services | 35 | 7 431 130 | 4 429 901 |
| Other Expenditure | 36 | 16 443 975 | 17 333 513 |
| Grants and subsidies paid | 37 | - | - |
| Total expenses | | 127 574 816 | 113 376 106 |
| Gain / (loss) on sale of assets | 38 | - | - |
| Surplus / (deficit) for the period | | (11 327 832) | (20 946 814) |

MOOKGOPHONG LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2013

| | Note | Accumulated Surplus/(Deficit) R | Total: Net Assets R |
|---|-----------|---------------------------------------|------------------------|
| Balance at 1 July 2011 | | | |
| Changes in accounting policy | | 192 419 292 | 192 419 292 |
| Restated balance | 41 | 192 419 292 | 192 419 292 |
| Correction of Error Prior Year Adjustments | | | |
| Surplus / (deficit) on revaluation of Accounts Receivable | 42 | 625 917 | 625 917 |
| Surplus / (deficit) on the decrease of PPE | 42 | 27 905 419 | 27 905 419 |
| Surplus / (deficit) on revaluation of Other Liabilities | 42 | 151 489 | 151 489 |
| Restated balance as at 1 July 2011 | | 221 102 117 | 221 102 117 |
| Nett Deficit for the year | | (21 724 220) | (21 724 220) |
| Balance as at 30 June 2012 | | 199 377 897 | 199 377 897 |
| Surplus / (deficit) for the year | | (11 327 832) | (11 327 832) |
| Balance at 30 June 2013 | | 188 050 065 | 188 050 065 |

MOOKGOPHONG LOCAL MUNICIPALITY
CASH FLOW STATEMENT
as at 30 June 2013

| | Note | 2013 R | 2012 R |
|---|------|----------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from ratepayers, government and others | | 118 115 573 | 104 022 349 |
| Cash paid to suppliers and employees | | (106 709 335) | (93 907 092) |
| Net cash flows from operating activities | 39 | <u>11 406 238</u> | <u>10 115 257</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of fixed assets | | (18 298 057) | (4 488 988) |
| Proceeds from sale of fixed assets | | - | - |
| Proceeds from sale of investments | | - | 2 790 831 |
| Net cash flows from investing activities | | <u>(18 298 057)</u> | <u>(1 698 157)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from finance lease liability | | - | - |
| Repayment of finance lease liability | | (224 594) | (388 566) |
| Net cash flows from financing activities | | <u>(224 594)</u> | <u>(388 566)</u> |
| Net increase / (decrease) in net cash and cash equivalents | | (7 116 413) | 8 028 534 |
| Net cash and cash equivalents at beginning of period | | 1 124 456 | (6 904 078) |
| Net cash and cash equivalents at end of period | 40 | <u>(5 991 957)</u> | <u>1 124 456</u> |

**MOOKGOPHONG LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2013**

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, but some components are measured at fair value as indicated in subsequent accounting policy notes.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) and prescribed by the Minister of Finance in terms of:

- Government Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;
- Government Notice 992 of 2005, issued in Government Gazette no. 28095 of 15 December 2005; and
- Government Notice 516 of 2008, issued in Government Gazette no. 31021 of 9 May 2008.
- Government Notice 80 of 2011, issued in Government Gazette no. 33991 of 2 Feb 2011.

The standards comprise of the following:

| | |
|----------|---|
| GRAP 1 | Presentation of Financial Statements |
| GRAP 2 | Cash Flow Statements |
| GRAP 3 | Accounting Policies, Changes in Accounting Estimates and Errors |
| GRAP 4 | The Effects of Changes in Foreign Exchange Rates |
| GRAP 5 | Borrowing Costs |
| GRAP 6 | Consolidated and Separate Financial Statements |
| GRAP 7 | Investments in Associates |
| GRAP 8 | Interests in Joint Ventures |
| GRAP 9 | Revenue from Exchange Transactions |
| GRAP 10 | Financial Reporting in Hyperinflationary Economies |
| GRAP 11 | Construction Contracts |
| GRAP 12 | Inventories |
| GRAP 13 | Leases |
| GRAP 14 | Events After the Reporting Date |
| GRAP 16 | Investment Property |
| GRAP 17 | Property, Plant and Equipment |
| GRAP 19 | Provisions, Contingent Liabilities and Contingent Assets |
| GRAP 100 | Non-current Assets Held for Sale and Discontinued Operations |
| GRAP 101 | Agriculture |
| GRAP 102 | Intangible Assets |

Directives and Guidelines form part of the GRAP Reporting Framework. The ASB Directive and Guidelines applicable to Mookgophong Municipality comprise of the following :

| | |
|-------------|---|
| Directive 1 | Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP |
| Directive 4 | Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities |
| Directive 5 | Determining the GRAP Reporting Framework |
| Directive 7 | The Application of Deemed Cost on the Adoption of the Standards of GRAP |

Effective IFRSs and IFRICs that are applied considering the provisions in paragraphs 21 to 27 of Directive 5 applicable to Mookgophong Municipality comprise the following:

| | |
|-----------------|---|
| IFRS 7 | Financial Instruments: Disclosures |
| IAS 19 | Employee Benefits |
| IAS 32 | Financial Instruments: Presentation |
| IAS 36 | Impairment of Assets |
| IAS 39 | Financial Instruments: Recognition and Measurement |
| IFRIC 4 | Determining whether an Arrangement contains a Lease |
| IFRIC 14 IAS 19 | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. |

MOOKGOPHONG LOCAL MUNICIPALITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As from 1 July 2008, all GAMAP Standards have been retracted. Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with section 29 of ASB Directive 5 or paragraph 12 of GRAP 3. Exemptions that were given from complying with certain standards in terms of clause 2(2) of Government Notice 522 issued in Government Gazette no. 30013 of 29 June 2007, have been lifted since the 2008/09 financial year.

GAMAP 9 Revenue Section 29 to 54 pertaining to revenue from rates, fines, government grants, other grants, donations received and levies are not yet withdrawn as GRAP 9 only applies to exchange revenue and GRAP 23 Revenue from non-exchange transactions is not yet effective.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. These accounting policies applied are consistent with those used in the previous financial year, unless explicitly stated.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but will only be effective at a later date and have not been early adopted by the municipality:

| | |
|----------|--|
| GRAP 21 | Impairment of non-cash-generating assets |
| GRAP 23 | Revenue from non-exchange transactions |
| GRAP 25 | Employee Benefits |
| GRAP 26 | Impairment of cash-generating assets |
| GRAP 103 | Heritage Assets |
| GRAP 104 | Financial Instruments |

Standards of GRAP that may be used to interpret the requirements of other Standards of GRAP:

| | |
|---------|--|
| GRAP 24 | Presentation of Budget Information in Financial Statements |
|---------|--|

The impact of GRAP standards issued but not yet effective on the financial statements of Mookgophong Municipality in the future are as follows:

| | |
|---------|---|
| GRAP 18 | This does not deal with the accounting treatment of any particular transaction of events but merely with the re-arrangement of information already presented and disclosed. The impact on the municipality's financial statements would be minimal. |
| GRAP 20 | Councillors, committee members and close members of family will be disclosed as related parties. Normal suppliers and/or client relationship at arm's length and within normal operating parameters will not have to be separately disclosed. |

MOOKGOPHONG LOCAL MUNICIPALITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

| | |
|----------|---|
| GRAP 21 | Assessment at every reporting date whether there are indicators that any assets have been impaired, the measurement of impairment losses and reversal of impairment losses. The impact of this Standard is not at this stage reasonably estimable. |
| GRAP 23 | <p>The method or recognition and measurement of revenue from non-exchange transactions, specifically taxes and transfers. The municipality does not have taxes and the accounting policy for the disclosure and measurement of transfers implemented currently by the municipality already adheres to these requirements:</p> <ul style="list-style-type: none">- Revenue is recognized to the extent that conditions have been met;- A liability is recognized to the extent that the present conditions have not yet been met.- An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition. |
| GRAP 24 | A comparison of budget and actual amounts as additional budget columns in the primary financial statements and a disclosure note on the explanations of changes between the approved and final budget is required. The impact on the municipality's financial statements would be minimal. |
| GRAP 25 | The Standard on Employee Benefits will have no material impact on the financial statements of the municipality as the municipality is adhering to IAS 19 and there is no material changes from IAS19 to GRAP25 that is affecting this municipality. |
| GRAP 26 | Assessment at every reporting date whether there are indicators that any assets have been impaired, the measurement of impairment losses and reversal of impairment losses. This Standard will be applicable to the Abattoir assets and the impact of this Standard would be minimal at this stage as the abattoir is currently undergoing an upgrade. |
| GRAP 103 | This Standard will have no impact on the municipality as the municipality currently has no heritage assets. |
| GRAP 104 | The Standard on financial instruments will have no material impact on the financial statements of the municipality as the municipality is adhering to IAS32 and IAS39 and the changes from IAS32 and IAS39 to GRAP104 is not applicable to this municipality. |

The municipality shall apply these Standards of GRAP for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1) (b) of the Public Finance Management Act, Act No. 1 of 1999, as amended.

2 RESERVES

GRAP 9 does not require that a municipality should keep any reserves and \ or be disclosed on the Statement of Financial Position. All surpluss funds are therefore disclosed as part of Accumulated Surplus account.

3 PROPERTY, PLANT AND EQUIPMENT

3.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, items of Land and Buildings are measured at cost less accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

3.3 SUBSEQUENT MEASUREMENT - COST MODEL (OTHER ASSETS)

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

3.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Land (including investment assets), heritage assets and artwork are not depreciated as it is deemed to have an indefinite useful life. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

| Infrastructure | | Other | |
|-----------------------|----------|--------------------------|---------|
| Roads and Paving | 10 to 25 | Buildings | 30 |
| Electricity Networks | 20 to 30 | Office equipment | 3 to 7 |
| Water Networks | 15 to 20 | Office Furniture | 7 to 10 |
| Sewerage Networks | 15 to 20 | Bins and Containers | 5 to 10 |
| | | Motor Vehicles | 5 to 20 |
| | | Plant and Equipment | 2 to 15 |
| Community | | Security Measures | |
| Sport Facilities | 30 | | 3 to 5 |
| Cemeteries | 30 | | |
| Libraries and Halls | 30 | | |
| Parks and gardens | 30 | | |

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

The municipality has taken advantage of the transitional provisions provided in GRAP 17 Property, Plant and Equipment whereby in terms of Section 77 of Directive 4 municipalities are not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, Plant and Equipment. GRAP 17 was initially adopted on 1 July 2008. The balance on the financial statements which is affected by this transitional provision is Property, Plant and Equipment.

The progress towards achieving full compliance with the measurement requirements of GRAP 17 Property, Plant and Equipment and IAS36, Impairment of assets, are that an annual asset count was conducted to confirm the completeness and validity of the asset register. An asset register were implemented that can accommodate the new requirements. The depreciation and net book value of assets will be reviewed to correct comparative figures in the financial statements ending 30 June 2011.

3.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INTANGIBLE ASSETS

4.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

4.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software : 5 years

The amortisation period and the amortisation method for an intangible asset with a limited useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with limited useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

4.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5 INVESTMENT PROPERTY

5.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

5.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

6 NON-CURRENT ASSETS HELD FOR SALE

6.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

6.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

7 INVENTORIES

7.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

7.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, are valued at the lower of cost and net realisable value. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

8 FINANCIAL INSTRUMENTS

8.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

8.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39 GRAP 104, AS 36 and IFRS 7.

8.2.1 INVESTMENTS

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current. The carrying amount of trade and other receivables is a reasonable approximation of fair value.

An Impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

8.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. The carrying amount of trade and other payables is a reasonable approximation of fair value.

8.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

9 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as a receivable in the Statement of Financial Position after an investigation by the Council's Municipal Public Accounts Committee determined the liability to repay the expenditure and Council took a final decision on the matter. Where recovered, it is subsequently accounted as a decrease in receivables in the Statement of Financial Position.

10 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as a receivable in the Statement of Financial Position after an investigation by the Council's Municipal Public Accounts Committee determined the liability to repay the expenditure and Council took a final decision on the matter. Where recovered, it is subsequently accounted as a decrease in receivables in the Statement of Financial Position.

11 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as a receivable in the Statement of Financial Position after an investigation by the Council's Municipal Public Accounts Committee determined the liability to repay the expenditure and Council took a final decision on the matter. Where recovered, it is subsequently accounted as a decrease in receivables in the Statement of Financial Position.

12 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality do recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

13 LEASES**13.1 MUNICIPALITY AS LESSEE**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Contingent rentals are not straight-lined or included in the projected future minimum operating lease expenses / receipts in the note to the financial statements.

13.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

14 REVENUE**14.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Adjustments to consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis, using the effective interest method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

14.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from grants is recognized to the extent that there has been compliance with any restrictions associated with the grant.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Unutilised conditional grants are reflected in the Statement of Financial Position as a current liability.

15 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

16 EMPLOYEE BENEFITS

16.1 SHORT-TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits, which include salaries and wages, allowances and 13th cheque compensation, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

16.2 TERMINATION BENEFITS

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

16.3 RETIREMENT BENEFITS

The municipality provides the following retirement benefits for its employees and councilors :

The municipality has accounted for a **defined contribution pension plan** in terms of IAS19 Employee Benefits, under which the municipality pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The municipality provides also for **post-retirement medical benefits** to qualifying retirees, their spouses and other dependent members as on date of retirement, in terms of the Bargaining Council Medical Aid Collective Agreement, dated and signed on 1 December 2005. This provision is also recognized in terms of IAS 19 and FRAP 25 on defined benefit plans. The expected cost, of these benefits is accrued over the period of employment.

Municipalities were previously exempted from IAS19 defined benefit accounting as far as it relates to defined benefit plans in terms of the exemptions of Government Gazette no. 30013 of 29 June 2007. The exemption no longer applies since the 08/09 financial year and the change in accounting policy was implemented retrospectively in 09/10.

16.4 LONG SERVICE LEAVE AWARDS

The liability for long service leave for which settlement can be deferred beyond 12 months from the reporting date is recognized as a non-current liability for employee benefits and measured at the present value of expected future payment to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted, using market yields at the reporting date on national government bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows.

17 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. This policy is currently not applicable to any construction contract with the municipality.

18 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

| | Note | 2013 R | 2012 R |
|---|--------------------------|----------------------------|--------------------------|
| 1 CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents consist of the following: | | | |
| Cash on hand | | 6 310 | 6 310 |
| Cashbook balance | | (6 331 879) | (5 418 329) |
| Call deposits | | 333 612 | 6 536 475 |
| | | <u>(5 991 957)</u> | <u>1 124 456</u> |
| <u>Current Account (Primary Bank Account)</u> | | | |
| Bank : ABSA | | | |
| Account number : 1080570097 | | | |
| The Municipality has the following bank accounts: - | | | |
| Cash book balance at beginning of year | | <u>(5 418 329)</u> | <u>(6 910 188)</u> |
| Cash book balance at end of year | | <u>(6 331 879)</u> | <u>(5 418 329)</u> |
| Bank statement balance at beginning of year | | <u>1 078 979</u> | <u>2 498 101</u> |
| Bank statement balance at end of year | | <u>122 082</u> | <u>1 078 979</u> |
| <u>Current Account (Other Accounts)</u> | | | |
| Previous year : | | | |
| Account number : Standard Bank 348714239/3 | | | |
| Cash book balance at beginning of year | | <u>6 536 475</u> | <u>-</u> |
| Current year : | | | |
| Account number : Standard Bank 348714239/3 | | | |
| Account number : ABSA 40-7807-8429 | | | |
| Cash book balance at end of year | | <u>333 612</u> | <u>6 536 475</u> |
| Bank statement balance at beginning of year | | <u>6 536 475</u> | <u>-</u> |
| Bank statement balance at end of year | | <u>333 612</u> | <u>6 536 475</u> |
| <u>Cash on hand</u> | | <u>6 310</u> | <u>6 310</u> |
| Total cash and cash equivalents | | <u>339 922</u> | <u>6 542 785</u> |
| Total bank overdraft | | <u>6 331 879</u> | <u>5 418 329</u> |
| 2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS | | | |
| <u>Trade receivables</u> | Gross Balances | Provision for | Net Balance |
| as at 30 June 2013 | R | Doubtful Debts | R |
| Service debtors | | | |
| Rates | 24 768 146 | - | 24 768 146 |
| Electricity | 13 822 881 | (10 351 861) | 3 471 020 |
| Water | 4 697 112 | (3 517 635) | 1 179 477 |
| Sewerage | 3 419 134 | (2 560 566) | 858 568 |
| Refuse | 2 313 153 | (1 732 304) | 580 849 |
| Other | 2 148 553 | (1 609 036) | 539 517 |
| Less : VAT charged not received * | (2 889 361) | 2 230 466 | (658 895) |
| Total | <u>48 279 618</u> | <u>(17 540 936)</u> | <u>30 738 682</u> |
| as at 30 June 2012 | | | |
| Service debtors | | | |
| Rates | 16 968 226 | - | 16 968 226 |
| Electricity | 12 713 584 | (9 321 344) | 3 392 240 |
| Water | 3 899 352 | (2 712 642) | 1 186 710 |
| Sewerage | 2 622 838 | (1 816 621) | 806 217 |
| Refuse | 1 704 459 | (1 200 676) | 503 783 |
| Other | 2 010 947 | (1 383 219) | 627 728 |
| Less : VAT charged not received * | (2 526 217) | 1 848 403 | (677 814) |
| Total | <u>37 393 189</u> | <u>(14 586 099)</u> | <u>22 807 090</u> |

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

| | 2013 R | 2012 R |
|-----------------------|-------------------|-------------------|
| Rates: Ageing | | |
| Current (0 – 30 days) | 2 131 046 | 214 647 |
| 31 - 60 Days | 1 060 438 | 1 421 316 |
| 61 - 90 Days | 972 455 | 491 626 |
| 91 - 120 Days | 892 834 | 602 175 |
| 121 - 365 Days | 19 711 373 | 13 612 545 |
| Total | 24 768 146 | 16 342 309 |

| | | |
|--|-------------------|-------------------|
| Electricity, Water and Sewerage: Ageing | | |
| Current (0 – 30 days) | 4 054 073 | 814 700 |
| 31 - 60 Days | 1 281 775 | 3 306 618 |
| 61 - 90 Days | 1 050 285 | 1 313 621 |
| 91 - 120 Days | 744 285 | 881 204 |
| 121 - 365 Days | 14 808 709 | 12 919 631 |
| Total | 21 939 127 | 19 235 774 |

| | | |
|---------------------------------|------------------|------------------|
| Refuse and Other: Ageing | | |
| Current (0 – 30 days) | 409 384 | 50 181 |
| 31 - 60 Days | 207 925 | 300 671 |
| 61 - 90 Days | 170 177 | 136 435 |
| 91 - 120 Days | 151 404 | 110 690 |
| 121 - 365 Days | 3 522 816 | 3 117 429 |
| Total | 4 461 706 | 3 715 406 |

Summary of Debtors by Customer Classification

| | Household Consumers R | Industrial / Commercial R | National and Provincial Government R |
|---|---------------------------------|-------------------------------------|---|
| as at 30 June 2013 | | | |
| Current (0 – 30 days) | 3 232 330 | 1 787 119 | 609 139 |
| 31 - 60 Days | 4 113 874 | 2 274 515 | 775 267 |
| 61 - 90 Days | 4 407 722 | 2 436 981 | 830 644 |
| 91 - 120 Days | 5 289 267 | 2 924 377 | 996 773 |
| 121 - 365 Days | 12 341 622 | 6 823 548 | 2 325 803 |
| Sub-total | 29 384 815 | 16 246 538 | 5 537 626 |
| Less: Provision for doubtful debts | (11 296 363) | (6 244 573) | - |
| Less : VAT charged not received yet * | (2 889 361) | - | - |
| Total debtors by customer classification | 15 199 091 | 10 001 965 | 5 537 626 |

| | | | |
|---|-------------------|------------------|----------------|
| as at 30 June 2012 | | | |
| Current (0 – 30 days) | 629 979 | 286 429 | 163 120 |
| 31 - 60 Days | 2 679 774 | 2 183 940 | 164 891 |
| 61 - 90 Days | 1 334 597 | 386 448 | 220 637 |
| 91 - 120 Days | 591 498 | 804 123 | 198 448 |
| 121 - 365 Days | 24 973 966 | 4 483 312 | 192 327 |
| Sub-total | 30 209 814 | 8 144 252 | 939 423 |
| Less: Provision for doubtful debts | (11 746 627) | (2 839 472) | - |
| Less : VAT charged not received yet * | (2 526 217) | - | - |
| Total debtors by customer classification | 15 936 970 | 5 304 780 | 939 423 |

* Deducted from the amount of Receivables is the portion of VAT not owed to SARS, as no payment were received from Consumers.

2 Reconciliation of the doubtful debt provision

| | | |
|--|-------------------|-------------------|
| Balance at beginning of the year | 16 434 502 | 15 211 527 |
| Contributions to provision | 3 336 900 | 3 069 874 |
| Doubtful debts written off against provision | - | - |
| Reversal of provision | - | (1 846 899) |
| Balance at end of year before VAT Portion of Provision | 19 771 402 | 16 434 502 |
| Less : VAT Portion of Provision | (2 230 466) | (1 848 403) |
| Balance at end of year transferred to Trade Receivables | 17 540 936 | 14 586 099 |

Portion of Contribution not expensed

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| | | |
|----------------------------|----------------|----------------|
| Investment Interest | - | 20 712 |
| Other deposits | 133 199 | 137 721 |
| Other | 632 367 | 586 033 |
| Total Other Debtors | 765 566 | 744 466 |

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

| | Note | 2013 R | 2012 R |
|--|---------------------------|--------------------|--------------------|
| 4 INVENTORIES | | | |
| Opening balance of Inventories: | | 1 420 948 | 1 608 298 |
| Consumable stores - at cost | | 1 377 577 | 1 598 825 |
| Other goods held for resale – at cost | | - | - |
| Water | | 43 371 | 9 473 |
| Additions: | | 5 987 486 | 5 900 674 |
| Price adjustment on Opening Balance | | - | - |
| Consumable stores | | 1 873 926 | 2 077 329 |
| Other goods held for resale | | - | - |
| Water | | 4 113 560 | 3 823 345 |
| Issued (expensed): | | (6 393 533) | (6 089 719) |
| Consumable stores | | (2 251 348) | (2 298 577) |
| Other goods held for resale | | - | - |
| Water | | (4 142 185) | (3 791 142) |
| Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC): | | - | 1 695 |
| Consumable stores | | - | - |
| Other goods held for resale | | - | - |
| Water | | - | 1 695 |
| Closing balance of Inventories: | | 1 014 901 | 1 420 948 |
| Consumable stores | | 1 000 155 | 1 377 577 |
| Other goods held for resale | | - | - |
| Water | | 14 746 | 43 371 |
| 5 PREPAYMENTS | | | |
| Prepaid expenses | | - | - |
| <i>There were no payments made in the current year payable only in the next year.</i> | | | |
| 6 INVESTMENTS | | | |
| Current Investments : | | | |
| Deposits | | - | - |
| <i>These amounts had been invested at :</i> | | | |
| <u>Investee / Account Number / Interest rate</u> | <u>Type of investment</u> | | |
| There were no investments | | - | - |

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

7 PROPERTY, PLANT AND EQUIPMENT

7.1 Reconciliation of Carrying Value

| | Land and Buildings R | Infrastructure R | Community R | Other Assets R | Investment Property | Intangible Assets R | Total R |
|--|----------------------------|---------------------|------------------|-------------------|------------------------|---------------------------|--------------------|
| as at 1 July 2012 | 53 426 373 | 148 897 659 | 6 102 548 | 4 568 220 | 11 563 608 | 245 849 | 224 804 257 |
| Cost/Revaluation | 47 097 344 | 230 737 066 | 6 144 704 | 24 705 812 | 11 563 608 | 924 521 | 321 173 055 |
| Capital under Construction | 8 945 820 | 6 376 490 | - | - | - | - | 15 322 310 |
| Accumulated depreciation and impairment losses | (2 616 791) | (88 215 897) | (42 156) | (20 137 592) | - | (678 672) | (111 691 108) |
| Additions | | | | | | | |
| Acquisitions - new assets | 2 025 790 | 130 968 | - | 348 331 | - | - | 2 505 089 |
| Capital under Construction | - | 15 792 968 | - | - | - | - | 15 792 968 |
| Depreciation | (2 521 170) | (11 572 553) | (623 581) | (2 580 717) | - | (94 423) | (17 392 444) |
| Carrying value of disposals | | | | | | | |
| Cost/Revaluation | - | - | - | - | - | - | - |
| Accumulated depreciation and impairment losses | - | - | - | - | - | - | - |
| Impairment loss/Reversal of impairment loss | | | | | | | |
| Transfers | (136 137) | - | - | - | - | - | (136 137) |
| as at 30 June 2013 | 52 794 856 | 153 249 042 | 5 478 967 | 2 335 834 | 11 563 608 | 151 426 | 225 573 733 |
| Cost/Revaluation | 49 123 134 | 230 868 034 | 6 144 704 | 25 054 143 | 11 563 608 | 924 521 | 323 678 144 |
| Capital under Construction | 8 945 820 | 22 169 458 | - | - | - | - | 31 115 278 |
| Accumulated depreciation and impairment losses | (5 274 098) | (99 788 450) | (665 737) | (22 718 309) | - | (773 095) | (129 219 689) |

Refer to Appendix A and B for more detail on property, plant and equipment

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

7.2 Reconciliation of Carrying Value

| | Land and Buildings R | Infrastructure R | Community R | Other Assets R | Investment Property | Intangible Assets R | Total R |
|--|----------------------------|---------------------|------------------|-------------------|------------------------|---------------------------|--------------------|
| as at 1 July 2011 | 54 470 243 | 159 414 841 | 6 237 924 | 7 042 982 | 11 563 608 | 378 268 | 239 107 866 |
| Cost/Revaluation | 30 376 086 | 228 952 918 | 3 236 771 | 23 995 471 | 10 251 162 | 924 521 | 297 736 929 |
| Capital under Construction | 8 945 820 | 4 805 418 | - | - | - | - | 13 751 238 |
| Correction of error Assets at cost (note 42) | 16 721 258 | - | 2 907 933 | 123 130 | 1 312 446 | - | 21 064 767 |
| Correction of error Depreciation (note 42) | 4 947 069 | - | 1 653 908 | 239 675 | - | - | 6 840 652 |
| Accumulated depreciation and impairment losses | (6 519 990) | (74 343 495) | (1 560 688) | (17 315 294) | - | (546 253) | (100 285 720) |

Additions

| | | | | | | | |
|----------------------------|-------------|--------------|-----------|-------------|---|-----------|--------------|
| Acquisitions - new assets | - | 1 784 148 | - | 587 211 | - | - | 2 371 359 |
| Capital under Construction | - | 1 571 072 | - | - | - | - | 1 571 072 |
| Depreciation | (1 039 490) | (11 900 868) | (135 376) | (3 012 835) | - | (132 419) | (16 220 988) |

Carrying value of disposals

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| Cost/Revaluation | - | - | - | - | - | - | - |
| Accumulated depreciation and impairment losses | - | - | - | - | - | - | - |

**Impairment loss/Reversal of impairment loss
Transfers**

| | | | | | | | |
|--|---------|-------------|---|----------|---|---|-------------|
| | (4 380) | (1 971 534) | - | (49 138) | - | - | (2 025 052) |
| | - | - | - | - | - | - | - |

as at 30 June 2012

| | | | | | | | |
|--|-------------|--------------|-----------|--------------|------------|-----------|---------------|
| Cost/Revaluation | 53 426 373 | 148 897 659 | 6 102 548 | 4 568 220 | 11 563 608 | 245 849 | 224 804 257 |
| Capital under Construction | 47 097 344 | 230 737 066 | 6 144 704 | 24 705 812 | 11 563 608 | 924 521 | 321 173 055 |
| Accumulated depreciation and impairment losses | 8 945 820 | 6 376 490 | - | - | - | - | 15 322 310 |
| | (2 616 791) | (88 215 897) | (42 156) | (20 137 592) | - | (678 672) | (111 691 108) |

Refer to Appendix A and B for more detail on property, plant and equipment

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

| Note | 2013 R | 2012 R |
|------|-----------|-----------|
|------|-----------|-----------|

7.3 Property, plant and equipment pledged as security

None

7.4 Details of valuation

The Municipality adopted the accounting policy based on GRAP 17, relating to Property, Plant and Equipment, effected from 1 July 2010, but only implemented it within the 2011 financial statements. PricewaterhouseCoopers Combined Systems (Pty) Ltd, acted independant from the Municipality to revalue the non-current assets.

The valuation was performed using a fair value for land and buildings and the cost model for other assets where sufficient history was available.

8 INTANGIBLE ASSETS

8.1 Reconciliation of carrying value

| | | |
|--|-----------|-----------|
| As at 1 July | 245 849 | 378 268 |
| Cost | 924 521 | 924 521 |
| Correction of error (note 42) | - | - |
| Change in accounting policy (note 41) | - | - |
| Accumulated amortisation and impairment losses | (678 672) | (546 253) |
| Acquisitions | - | - |
| Amortisation | (94 423) | (132 419) |
| as at 30 June | 151 426 | 245 849 |
| Cost | 924 521 | 924 521 |
| Accumulated amortisation and impairment losses | (773 095) | (678 672) |

8.2 Intangible Assets exists only of Computer Software Licences and the right to use computerized programmes.

9 INVESTMENT PROPERTY CARRIED AT COST

9.1 Reconciliation of carrying value

| | | |
|--|------------|------------|
| As at 1 July | 11 563 608 | 11 563 608 |
| Cost | 10 251 162 | 10 251 162 |
| Correction of error (note 42) | 1 312 446 | 1 312 446 |
| Change in accounting policy (note 41) | - | - |
| Accumulated depreciation and impairment losses | - | - |
| Acquisitions | - | - |
| Depreciation | - | - |
| as at 30 June | 11 563 608 | 10 251 162 |
| Cost | 11 563 608 | 10 251 162 |
| Accumulated depreciation and impairment losses | - | - |

9.2 Fair value of investment property carried at cost:

The effective date of the revaluations was 1 July 2010. Revaluations were performed by PricewaterhouseCoopers Combined Systems (Pty) Ltd, acted independant from the Municipality to revalue the non-current assets. and have expert experience in the location and categorising of the investment property being valued.

The valuation was based on open market value for existing use.

9.3 Details of property:

All proprety being listed as Investment Property is land available for township establishment. The Council placed however a moratorium on township establishment due to water; electricity and waste water services that are currently already operate on overloaded capacity.

9.4 No rental income is currently received from Investment Property as all property is undeveloped land.

10 INVESTMENT PROPERTY CARRIED AT FAIR VALUE

No valuation were done as yet at fair value. Valuations based on fair value will be executed each fourth year, simultaneously with the general updating of the Municipall Valuation Roll.

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

| | Note | 2013 R | 2012 R |
|--|------|--------------------------------------|----------------------------|
| 11 NON-CURRENT ASSETS HELD FOR SALE | | | |
| Property, plant and equipment | | - | - |
| Investment property | | - | - |
| Other assets | | - | - |
| | | <u>-</u> | <u>-</u> |
| <i>There were no assets held for sale as at 30 June 2012.</i> | | | |
| 12 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS | | | |
| Trade creditors | | 15 066 343 | 5 678 611 |
| Payments received in advance | | 3 081 931 | 2 123 752 |
| Retentions | | 2 580 363 | 1 173 189 |
| Electricity connection deposits | | - | 116 063 |
| Other creditors | | 296 450 | 125 228 |
| Less : VAT included in outstanding invoices not paid yet * | | (1 850 130) | (714 320) |
| Total creditors | | <u>19 174 957</u> | <u>8 502 523</u> |
| <i>The fair value of trade and other payables approximates their carrying amounts.</i> | | | |
| <i>* Deducted from the amount of Trade and Other Payables is the portion of VAT not claimable from SARS, as no payment were made to service providers.</i> | | | |
| 13 CONSUMER DEPOSITS | | | |
| Electricity and Water | | 3 389 191 | 3 074 508 |
| Total consumer deposits | | <u>3 389 191</u> | <u>3 074 508</u> |
| <i>No interest is paid for deposits held on behalf of consumers.</i> | | | |
| Guarantees held in lieu of Electricity and Water Deposits | | <u>-</u> | <u>121 250</u> |
| 14 VAT PAYABLE / RECEIVABLE | | | |
| VAT payable | | 4 441 965 | 1 425 818 |
| VAT receivable | | <u>-</u> | <u>-</u> |
| <i>VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.</i> | | | |
| 15 CURRENT PROVISIONS | | | |
| Provision for leave | | 3 513 876 | 3 041 081 |
| Provision for 13th cheque payments | | 636 245 | 549 241 |
| Total Provisions | | <u>4 150 121</u> | <u>3 590 322</u> |
| Provision was made for all leave credits applicable to a municipal employee | | | |
| The movement in current provisions are reconciled as follows: - | | | |
| | | Provision for 13th cheque | Provision for leave |
| as at 1 July 2012 | | 549 241 | 3 041 081 |
| Contributions to provision | | 87 004 | (322 523) |
| Expenditure incurred | | - | 795 318 |
| as at 30 June 2013 | | <u>636 245</u> | <u>3 513 876</u> |
| as at 1 July 2011 | | 522 166 | 3 644 912 |
| Contributions to provision | | 27 075 | (603 831) |
| Expenditure incurred | | - | 3 513 876 |
| as at 30 June 2012 | | <u>549 241</u> | <u>6 554 957</u> |

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

| | Note | 2013 R | 2012 R |
|---|--|------------------|-------------------|
| 16 | UNSPENT CONDITIONAL GRANTS AND RECEIPTS | | |
| Unspent Conditional Grants from other spheres of Government | | | |
| Municipal Infrastructural Grant | | 6 501 019 | 14 624 610 |
| Housing Grant | | 2 901 261 | 2 901 261 |
| Grant from Waterberg District Council | | 61 112 | 61 112 |
| Lotto Grant | | 137 300 | 137 300 |
| Financial Management Grant | | - | 229 321 |
| Total Unspent Conditional Grants and Receipts | | 9 600 692 | 17 953 604 |
| Non-current unspent conditional grants and receipts | | - | - |
| Current portion of unspent conditional grants and receipts | | 9 600 692 | 17 953 604 |

See Note 27 for reconciliation of grants and receipts. These amounts are not invested in ring-fenced investments.

17 FINANCE LEASE LIABILITY

| 2013 | Minimum lease payment | Future finance charges | Present value of minimum lease payments |
|--|-----------------------|------------------------|---|
| Amounts payable under finance leases | | | |
| Within one year | 40 087 | 348 | 39 739 |
| Within two to five years | - | - | - |
| | <u>40 087</u> | <u>348</u> | <u>39 739</u> |
| Less: Amount due for settlement within 12 months (current portion) | | | (39 739) |
| | | | <u>-</u> |

The original lease agreement was extended up to 31 July 2013 or additional 8 months with an effective interest rate of 10.5%.

| 2012 | Minimum lease payment | Future finance charges | Present value of minimum lease payments |
|--|-----------------------|------------------------|---|
| Amounts payable under finance leases | | | |
| Within one year | 271 005 | 6 673 | 264 332 |
| Within two to five years | - | - | - |
| | <u>271 005</u> | <u>6 673</u> | <u>264 333</u> |
| Less: Amount due for settlement within 12 months (current portion) | | | (264 333) |
| | | | <u>-</u> |

The effective interest rate is 10.5% and is repayable in 36 equal installments of which the first was paid in November 2009. The last installment is payable in November 2012.

18 NON-CURRENT PROVISIONS

| | | |
|--|------------------|------------------|
| Provision for rehabilitation of landfill sites | 7 966 907 | 5 454 875 |
| Provision for long-service awards | 1 922 156 | 1 807 700 |
| Total Non-Current Provisions | 9 889 063 | 7 262 575 |

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It's calculation is based on the present value of the future obligation, discounted at 6,5%, over an average period of 78 years.

Long-service awards are payable to employees, with 5 years intervals, starting from 10 years continuous service. The provision is an estimate of the long-service based on historical staff turnover. Arch Actuarial Consulting CC was appointed by the Municipality to determine the actuarial valuations towards the long-service awards obligation.

The movement in the non-current provision is reconciled as follows: -

Provision for rehabilitation of landfill sites:

| | | |
|-----------------------------------|------------------|------------------|
| Balance at the beginning of year | 5 454 875 | 5 121 948 |
| Interest Cost | 486 243 | 332 927 |
| Expenditure incurred | 2 025 789 | - |
| Balance at the end of year | 7 966 907 | 5 454 875 |

Provision for long-service awards:

The fair value of plan assets includes:
Not applicable as there are no plan assets

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

| Note | 2013 R | 2012 R |
|---|------------------|------------------|
| Net expense recognised in the statement of financial performance | | |
| Opening Balance | 1 807 700 | 1 249 066 |
| Amount included in employee related costs | 114 456 | 558 634 |
| Current Service Cost | 268 849 | 218 537 |
| Interest Cost | 113 693 | 92 592 |
| Actuarial (Gain)/Loss Recognised in P&L | (102 393) | 459 207 |
| Employer Benefit Vestings | (165 693) | (211 702) |
| | 1 922 156 | 1 807 700 |

Key assumptions used

Key financial assumptions used at the reporting date:

| | | |
|-------------------------------|-------|-------|
| Discount Rates used | 7.32% | 6.60% |
| General Salary Inflation Rate | 6.77% | 5.97% |
| Net effective discount rate | 0.52% | 0.59% |

Key demographic assumptions used at the report date:

| | | |
|---|-----------------------------|--------|
| Average retirement age | 63 | 63 |
| Mortality during employment | SA 85 - 90 (Mixed Ultimate) | |
| Withdrawal from service (sample annual rates) | Age | Rate |
| | Male | Female |
| | 20 | 16% |
| | 30 | 10% |
| | 40 | 6% |
| | 50 | 2% |
| | 55 | 0% |

Sensitivity Analysis on the Unfunded Accrued Liability

| Assumption | Change | Liability (R) | % Change |
|--------------------------|----------|---------------|----------|
| Central Assumptions | | 1 922 000 | |
| General Salary Inflation | +1% | 2 061 000 | 7% |
| | -1% | 1 798 000 | -6% |
| Average Retirement Age | -2 years | 1 699 000 | -12% |
| | +2 years | 2 138 000 | 11% |
| Withdrawal Rates | -50% | 2 345 000 | 22% |

Best estimate of benefit payments expected in the next annual periods

| | 2013/14 | 2014/15 |
|--|----------------|----------------|
| Amount included in employee related costs | 173 446 | 220 371 |
| Current Service Cost | 303 914 | 326 189 |
| Interest Cost | 131 337 | 144 454 |
| Actuarial (Gain)/Loss Recognised in P&L | - | - |
| Employer Benefit Vestings | (261 805) | (250 252) |

19 PROPERTY RATES

Actual

| | | |
|---------------------|-------------------|-------------------|
| Residential | 7 314 107 | 7 616 745 |
| Commercial | 2 560 561 | 2 316 263 |
| Agricultural | 6 084 015 | 4 397 368 |
| Municipal and Other | 123 522 | 108 379 |
| State | 820 186 | 846 837 |
| Total | 16 902 391 | 15 285 592 |

Valuations

| | | |
|-------------------------------------|----------------------|----------------------|
| Residential | 1 513 146 486 | 1 104 262 481 |
| Commercial | 283 454 865 | 318 858 825 |
| Agricultural | 2 901 279 838 | 2 126 669 208 |
| State | 31 392 800 | 53 738 701 |
| Municipal and Non Rateable Property | 58 880 929 | 611 424 467 |
| Total Property Valuations | 4 788 154 918 | 4 214 953 682 |

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The valuation roll was certified on 02 July 2008 by the Municipal Manager.

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

| | Note | 2013 R | 2012 R |
|---|------|-------------------|-------------------|
| 20 SERVICE CHARGES | | | |
| Sale of electricity | | 31 917 383 | 30 567 880 |
| Sale of water | | 3 940 784 | 4 796 588 |
| Refuse removal | | 3 379 309 | 3 105 150 |
| Sewerage and sanitation charges | | 3 472 691 | 3 453 048 |
| Total Service Charges | | 42 710 167 | 41 922 666 |
| 21 RENTAL OF FACILITIES AND EQUIPMENT | | | |
| Rental of facilities | | 147 889 | 66 316 |
| Total rentals | | 147 889 | 66 316 |
| 22 INTEREST EARNED - CURRENT AND INVESTMENT ACCOUNTS | | | |
| Interest earned on current accounts and investments | | 297 819 | 250 757 |
| Total Interest | | 297 819 | 250 757 |
| 23 INTEREST EARNED - OUTSTANDING RECEIVABLES | | | |
| Interest charged against all consumer debtors in arrears | | 2 931 813 | 2 148 561 |
| Total Interest | | 2 931 813 | 2 148 561 |
| 24 FINES | | | |
| Cash received from traffic fines | | 37 560 | 89 357 |
| Late returns of library books | | 5 903 | 1 638 |
| | | 43 463 | 90 995 |
| 25 LICENSES AND PERMITS | | | |
| Trade Licenses | | - | - |
| Dog Licenses | | - | - |
| | | - | - |
| 26 REVENUE FROM AGENCY FEES | | | |
| Fire Fighting | | 1 526 676 | 757 401 |
| Vehicle Licenses | | 3 075 240 | 2 769 141 |
| | | 4 601 916 | 3 526 542 |
| 27 GOVERNMENT GRANTS AND SUBSIDIES | | | |
| Operating Grants | | 29 287 322 | 24 786 335 |
| Equitable share | | 25 758 000 | 22 822 000 |
| Finance Management Grant | | 1 729 322 | 1 020 678 |
| Municipal Systems Improvement Grant | | 800 000 | 790 000 |
| Skills Education & Training Grant | | - | 153 657 |
| Waterberg DC Grant -in- Aid | | 1 000 000 | - |
| Municipal Infrastructural Grant (5% Operating Expenses) | | - | - |
| Capital Grants | | 18 678 588 | 3 972 916 |
| Municipal Infrastructural Grant | | 18 678 588 | 3 972 916 |
| Housing Grant | | - | - |
| Integrated National Electrification programme (INEP) | | - | - |
| Total Government Grant and Subsidies | | 47 965 910 | 28 759 251 |
| 27.1 Equitable Share | | | |
| <i>In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and for the running of operations within the municipality.</i> | | | |
| 27.2 Municipal Infrastructural Grant | | | |
| Balance unspent at beginning of year | | 14 624 608 | 7 893 524 |
| Current year receipts | | 16 420 000 | 13 536 000 |
| Conditions met - transferred to revenue | | (18 678 588) | (3 972 916) |
| Revert to National Treasury | | (5 865 001) | (2 832 000) |
| Conditions still to be met - remain liabilities (see note 16) | | 6 501 019 | 14 624 608 |

The intention of the grant is to provide funding for infrastructural capital projects. The unspent amount is committed to capital projects still under construction.

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

| | Note | 2013 R | 2012 R |
|--|--|-------------------------------------|--|
| 27.3 Other Government Grants and Subsidies | | | |
| Balance unspent at beginning of year | | 3 328 995 | 3 199 673 |
| Current year receipts | | 3 300 000 | 2 040 000 |
| Conditions met - transferred to revenue | | (3 529 322) | (1 810 678) |
| Revert to National Treasury | | - | (100 000) |
| Conditions still to be met - remain liabilities (see note 16) | | <u>3 099 673</u> | <u>3 328 995</u> |
| <i>The unspent amount is in relation to projects still to be commenced with.</i> | | | |
| 27.4 Changes in levels of government grants | | | |
| <i>Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2013), dated 31 March 2013, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.</i> | | | |
| 28 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS | | | |
| 28.1 Other income | | | |
| Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 44) | | 39 096 | - |
| Total Other Income | | <u>39 096</u> | <u>-</u> |
| 28.2 Public contributions and donations | | | |
| Total public contributions and donations (see also note 50) | | <u>-</u> | <u>-</u> |
| 29 OTHER REVENUE | | | |
| Connection and reconnection fees | | 5 082 | 5 082 |
| Insurance claims and Cemetery fees | | 63 420 | 63 420 |
| Sundry income | | 577 114 | 310 110 |
| | | <u>645 616</u> | <u>378 612</u> |
| 30 EMPLOYEE RELATED COSTS | | | |
| Remuneration of the Municipal Manager (Position was filled for two months in the 2012/13 financial year) | | | |
| Annual Remuneration | | 112 088 | 705 628 |
| Performance- and other bonuses | | - | - |
| Travel, motor car, accommodation, subsistence and other allowances | | 37 425 | 51 856 |
| Contributions to UIF, Medical and Pension Funds | | 1 717 | 624 |
| Total | | <u>151 230</u> | <u>758 108</u> |
| Remuneration of the Chief Finance Officer (Position was filled for twelve months in the 2012/13 financial year) | | | |
| Annual Remuneration | | 618 884 | 623 052 |
| Performance- and other bonuses | | - | - |
| Travel, motor car, accommodation, subsistence and other allowances | | 210 000 | 24 864 |
| Contributions to UIF, Medical and Pension Funds | | 9 684 | 34 893 |
| Total | | <u>838 568</u> | <u>682 809</u> |
| Remuneration of individual Executive Directors | | | |
| | Technical Services Filled for 9 months | Corporate Services Vacant | Community Services Filled for 4 months |
| 2013 | | | |
| Annual Remuneration | 390 979 | - | 184 287 |
| Performance- and other bonuses | - | - | - |
| Travel, motor car, accommodation, subsistence and other allowances | 95 041 | - | 44 839 |
| Contributions to UIF, Medical and Pension Funds | 5 985 | - | 52 326 |
| Total | <u>492 005</u> | <u>-</u> | <u>281 452</u> |
| 2012 | | | |
| Annual Remuneration | 558 733 | 553 600 | 419 953 |
| Performance- and other bonuses | - | - | - |
| Travel, motor car, accommodation, subsistence and other allowances | 117 917 | 59 976 | 88 228 |
| Contributions to UIF, Medical and Pension Funds | 1 497 | 73 510 | 103 704 |
| Total | <u>678 147</u> | <u>687 086</u> | <u>611 885</u> |

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

| | Note | 2013 R | 2012 R |
|---|------|-------------------|-------------------|
| Remuneration of all other employees | | | |
| Employee related costs - Salaries and Wages | | 23 141 385 | 22 895 908 |
| Employee related costs - Contributions for UIF, pensions and medical aids | | 7 216 187 | 5 123 305 |
| Travel, motor car, accommodation, subsistence and other allowances | | 1 237 514 | 1 355 394 |
| Housing benefits and allowances | | 70 970 | 45 758 |
| Overtime payments | | 3 010 155 | 2 178 511 |
| Long Service Awards | | - | - |
| Post-employment benefits - Pension - Defined contribution plan | | 251 923 | 466 042 |
| Other employee related costs | | 5 660 073 | 706 529 |
| Total Employee Related Costs | | 40 588 207 | 32 771 447 |
| <i>There were no advances to employees / Loans paid to or outstanding from employees.</i> | | | |
| 31 REMUNERATION OF COUNCILLORS | | | |
| Mayor | | 627 932 | 591 788 |
| Other Councillors | | 2 230 357 | 1 887 001 |
| Total Councillors' Remuneration | | 2 858 289 | 2 478 789 |
| In-kind Benefits | | | |
| <i>The Mayor and the Chief Whip are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.</i> | | | |
| <i>The Mayor is entitled to make use of a Council owned vehicle for official duties and make use of a full-time driver as well as a full-time security guard at the expense of the Council.</i> | | | |
| 32 FINANCE COSTS | | | |
| Bank overdrafts | | - | - |
| Interest Cost | | 1 343 086 | 1 180 300 |
| Total Finance Costs | | 1 343 086 | 1 180 300 |
| 33 BULK PURCHASES | | | |
| Electricity | | 32 125 371 | 28 556 706 |
| Water | | - | - |
| Total Bulk Purchases | | 32 125 371 | 28 556 706 |
| 34 MATERIALS | | | |
| Repairs and Maintenance : | | | |
| Open Public Areas | | 7 667 | 48 131 |
| Street Lights | | 76 784 | 72 231 |
| Buildings | | 220 263 | 366 593 |
| Land & Fencing | | 45 996 | 5 260 |
| Streets & Pavements | | 290 984 | 33 810 |
| Water Network | | 585 295 | 1 097 005 |
| Machinery & Equipment | | 328 521 | 169 164 |
| Sport Fields | | 30 316 | 35 800 |
| Furniture & Office Equipment | | 505 | 18 717 |
| Electricity Network | | 1 368 719 | 855 078 |
| Radio's | | 765 | 8 236 |
| Traffic Signs & Road Markings | | 85 891 | 96 |
| Other Materials | | 1 114 316 | 1 048 282 |
| | | 4 156 022 | 3 758 401 |
| 35 CONTRACTED SERVICES | | | |
| Rental Photocopier | | 301 359 | 543 989 |
| Dumping Site Maintenance | | 1 016 823 | 494 137 |
| Legal Fees | | 1 111 696 | 732 049 |
| Computer Software Licenses | | 834 809 | 389 895 |
| Telephone & Cell phone Costs | | 679 015 | 743 195 |
| Security Services | | 928 434 | 809 955 |
| Short Term Insurance | | 603 594 | 420 624 |
| Valuation Costs | | 926 220 | 138 940 |
| Website Maintenance | | - | 54 523 |
| Tax consultancy and Other Services | | 1 029 180 | 102 594 |
| | | 7 431 130 | 4 429 901 |

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

| | Note | 2013 R | 2012 R |
|---|------|--------------------|-------------------|
| 36 OTHER EXPENDITURE | | | |
| Collection Cost | | 298 651 | 189 242 |
| Audit fees | | 1 965 955 | 2 754 607 |
| Included, as general expenses :- | | | |
| Advertising and Communication | | 246 181 | 259 018 |
| Bank charges | | 315 339 | 243 376 |
| Capacity Building | | 210 056 | 452 354 |
| Integrated Development Planning Review | | 283 931 | 162 720 |
| Public Account Committee | | - | 211 067 |
| Conferences and delegations | | 194 189 | 155 821 |
| Membership fees | | 120 902 | 74 019 |
| Mayoral Community Work Programmes | | 845 566 | 1 061 284 |
| Refreshments | | 18 162 | 167 832 |
| Local Economic Development Projects | | - | 51 949 |
| Indigent Relief | | 3 575 042 | 4 464 657 |
| Audit Committee and Internal Audit | | 213 498 | 115 377 |
| Postage | | 187 721 | 132 136 |
| Travel and subsistence | | 850 097 | 759 590 |
| Vehicle Costs | | 2 852 677 | 3 379 960 |
| Utilization of conditional grants | | 1 844 745 | 1 187 597 |
| Other | | 2 421 263 | 1 510 907 |
| | | <u>16 443 975</u> | <u>17 333 513</u> |
| 37 GRANTS AND SUBSIDIES PAID | | | |
| None | | - | - |
| | | <u>-</u> | <u>-</u> |
| 38 GAIN / (LOSS) ON SALE OF ASSETS | | | |
| Property, plant and equipment | | - | - |
| Other financial assets | | - | - |
| Total Gain / (Loss) on Sale of Assets | | <u>-</u> | <u>-</u> |
| 39 CASH GENERATED BY OPERATIONS | | | |
| Surplus/(deficit) for the year | | (11 327 832) | (20 946 814) |
| Adjustment for:- | | | |
| Depreciation and amortisation | | 17 528 581 | 18 246 039 |
| (Gain) / loss on sale of assets | | - | - |
| Contribution to provisions - non-current | | 6 541 969 | 2 103 118 |
| Contribution to provisions - current | | 559 799 | (576 756) |
| Finance costs | | 1 343 086 | 1 160 300 |
| Prior year adjustments | | (1 045 253) | - |
| Interest earned | | (297 819) | (250 757) |
| Operating surplus before working capital changes: | | <u>13 302 531</u> | <u>(264 870)</u> |
| (Increase)/decrease in inventories | | 406 047 | 187 350 |
| (Increase)/decrease in trade receivables | | (7 931 592) | (4 712 761) |
| (Increase)/decrease in other receivables | | (21 100) | (16 591) |
| (Increase)/decrease in VAT receivable | | - | 2 936 207 |
| Increase/(decrease) in unspent conditional grants and receipts | | (8 352 912) | 6 110 579 |
| Increase/(decrease) in trade payables | | 10 672 434 | 4 110 149 |
| Increase/(decrease) in consumer deposits | | 314 683 | 339 376 |
| Increase/(decrease) in VAT payable | | 3 016 147 | 1 425 818 |
| Cash generated by/(utilised in) operations | | <u>11 406 238</u> | <u>10 115 257</u> |
| 40 CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents included in the cash flow statement comprise of the following: | | | |
| Bank balances and cash | | (5 991 957) | 1 124 456 |
| Net cash and cash equivalents (net of bank overdrafts) | | <u>(5 991 957)</u> | <u>1 124 456</u> |
| 41 CHANGE IN ACCOUNTING POLICY | | | |
| There were no significant changes in the accounting policies that could have an effect on the opening balances. | | | |

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

| | Note | 2013 R | 2012 R |
|--|------|-----------|--------------------|
| 42 CORRECTION OF ERROR | | | |
| During the year ended 30 June 2012 : | | | |
| The comparative amounts affected the Accumulated surplus/(deficit) as at 30 June 2012, has been restated as follows: | | | |
| Accumulated Surplus / (Deficit) for the year previously reported - | | | 170 695 072 |
| Net effect on surplus/(deficit) for the year | | | 28 682 825 |
| Assets previously not recognised | | | 21 084 768 |
| Accumulated depreciation decreased on newly recognised assets | | | 6 840 651 |
| Trade Receivables increased with | | | 625 917 |
| Other Liabilities decreased with | | | 151 489 |
| Restated Accumulated surplus / (deficit) opening balance | | | <u>199 377 897</u> |

Correction of Error Movable assets: During the physical verification it was found that movable assets that relates to Machinery and equipment, Furniture and fittings and computer equipment was not on the asset register. These assets were fair valued by using the DRC (Depreciated replacement cost) method.

Correction of Error Land & Buildings : The Land register was reconciled to the valuation roll. Some properties that were found not to be on the asset register were added. It was also found that some of the property's value on the register did not correspond with the value on the valuation roll. The values on the asset register were revalued to balance with the valuation roll.

Correction of Error Motor vehicles: There were four vehicles on the asset register that did not belong to the municipality any more due to trade-ins and write-offs in prior financial years. The register was not updated with the movement in prior years. It has been corrected on the register.

Correction of Error Trade Receivables : Balancing the valuation roll, resulted in the increase in assessment rates income and consequently also in the trade receivables.

Correction of Error Other Liabilities: The cancellation of stale cheques resulted in a decrease in Other Liabilities and a decrease in Other Expenses.

43 CHANGE IN ESTIMATE

The carrying value of the Mookgophong Municipality's PP&E "Land and Buildings", was impaired with a net result of R 136,137, resulting in a decrease in Depreciation of R863,288. If all variables stays the same, Depreciation for future years will then stay the same.

44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

44.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

| | | |
|---|-------------------|-------------------|
| Opening balance | 13 088 792 | 28 225 948 |
| Unauthorised expenditure current year | 6 563 816 | 4 036 600 |
| Approved by Council or condoned | - | (19 173 756) |
| Transfer to receivables for recovery or repayed to creditor | (8 697 000) | - |
| Unauthorised expenditure awaiting authorisation | <u>10 955 608</u> | <u>13 088 792</u> |

| Incident | Amount | Disciplinary / Corrective steps |
|--|----------------|---|
| 2010/11 | | |
| Conditional Grants spent on operational expenses | R 9 052 192.00 | Reported to Council, repaid to National Treasury |
| 2011/12 | | |
| Over expenditure on current budget | R 1 671 663.00 | Reported to Council, under investigation |
| MIG Grant spent on operational expenses | R 2 364 937.00 | Reported to Council, to be repayed to National Treasury |
| 2012/13 | | |
| Over expenditure on current budget | R 6 563 816.00 | Reported to Council, under investigation |

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

| | Note | 2013 R | 2012 R |
|---|------|----------------|----------------|
| 44.2 Fruitless and wasteful expenditure | | | |
| Reconciliation of fruitless and wasteful expenditure | | | |
| Opening balance - | | 163 753 | 1 424 042 |
| Fruitless and wasteful expenditure current year | | 215 228 | 163 753 |
| Condoned or written off by Council | | - | (1 424 042) |
| Fruitless and wasteful expenditure awaiting condonement | | <u>378 981</u> | <u>163 753</u> |

| Incident | Amount | Disciplinary / Corrective steps |
|--|--------------|---------------------------------|
| 2011/12 | | |
| Transaction in current year : | | |
| Services disconnected at Truckstop while interdict was applicable. Court ruled against Municipality with costs | R 57 654.00 | Reported to council |
| Interest and penalties paid on late payments | R 106 099.00 | Reported to council |
| 2012/13 | | |
| Interest on Escom account late payments | R 214 451.00 | Reported to council |
| Interest on Pension fund late payments | R 777.00 | Reported to council |

44.3 Irregular expenditure

Reconciliation of irregular expenditure

| | | |
|---|-------------------|-------------------|
| Opening balance | 21 634 261 | 20 416 269 |
| Irregular expenditure current year | - | 5 628 230 |
| Condoned or written off by Council | - | (4 281 068) |
| Transfer to receivables for recovery – not condoned | - | (129 170) |
| Irregular expenditure awaiting condonement | <u>21 634 261</u> | <u>21 634 261</u> |

| Incident | Amount | Disciplinary / Corrective steps |
|---|----------------|---|
| 2010/11 | | |
| Procurement in prior years affected current expenses : Tender documents for the appointment of service providers prior to 2010/11 could not be provided. Payments to these service providers in the current year amount to: | R 5 911 962.00 | Reported to Council, awaiting resolution. |
| Irregular expenses as disclosed in a Fraud investigation report : | | |
| Irregularities regarding temporary workers cash pay-outs. (Verveen F1) | R 124 849.00 | |
| Irregular appointment of Corporate Services Manager (Verveen F2) | R 540 000.00 | Reported to Council. |
| Irregular appointment of an attorney (Verveen F3) | R 313 404.00 | |
| Irregular award of tenders to employees (Verveen F4) | R 95 330.00 | |
| Irregular appointment of Electricians (Verveen F6) | R 356 000.00 | |
| Irregular award of tender for the supply of protective clothing (Verveen F7) | R 188 523.00 | |
| Irregular award of tender to supply refuse bins (Verveen F8) | R 405 000.00 | |
| Irregular award of tender to erect a palisade fence (Verveen F9) | R 372 296.00 | |
| Irregular appointment of Chief Financial Officer (Verveen F11) | R 578 000.00 | |
| Irregular appointment of Electrician and Intern wrt nepotism (Verveen F13) | R 265 000.00 | |
| Irregular award of tenders-various uninvestigated cases (Verveen F14) | R 4 446 588.00 | |
| Procurement done without obtaining three written price quotations : Transactions between R10 000 and R200 000 without three quotations | R254 972 | Reported to Council, awaiting resolution. |
| Discrepancies identified in the evaluation of tenders : Bidding not advertised for the required minimum time, specifications not approved by the accounting officer; the specifications did not indicate that it would be evaluated on the 90/10 preference point system; and the winning bidder did not submit compensation fund registration certificate, etc. | R 2 283 277.00 | Reported to Council, awaiting resolution. |
| Deviation from Supply Chain Regulations Purchasing of BMW Sedan | R 382 554.00 | Reported to Council, awaiting resolution. |
| Procurement done with service providers in employment of the state | R 45 252.00 | Reported to Council, awaiting resolution. |
| 2011/12 | | |
| Procurement in prior years affected current expenses : Tender documents for the appointment of service providers prior to 2010/11 could not be provided. Payments to these service providers in the current year amount to: | R 4 098 343.00 | Reported to Council, awaiting resolution. |
| Procurement done not in terms of SCM regulations : Not invited competitive bids and non submission of declarations of employment status. | R 831 489.00 | Reported to Council, awaiting resolution |

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

| | Note | 2013 R | 2012 R |
|---|--------------|---|-----------|
| Expenses incurred deviated from policy and legislation : | | | |
| Overtime paid not using the correct formula (Only projected error not the whole population) | R 141 422.00 | | |
| | | Reported to Council, awaiting resolution. | |

Note "Verveen F.", refers to findings in terms of an investigation done by Verveen Attorneys regarding to fraudulent activities discovered in 2010.

45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

45.1 Contributions to organised local government

| | | |
|---------------------------------------|---|---|
| Opening balance | - | - |
| Council subscriptions | - | - |
| Amount paid - current | - | - |
| Amount paid - previous years | - | - |
| Balance unpaid (Included in payables) | - | - |

45.2 Audit fees

| | | |
|---------------------------------------|-------------|-------------|
| Opening balance | 444 103 | - |
| Current year audit fee | 1 965 955 | 2 754 807 |
| Amount paid - current year | (1 054 397) | (2 310 504) |
| Amount paid - previous years | - | - |
| Balance unpaid (Included in payables) | 911 558 | 444 103 |

An amount of R 911,558.00 in respect of audit fees were outstanding as at 30 June 2013

45.3 VAT

VAT input receivables and VAT output payables are shown in note 14. All VAT returns have been submitted by the due date throughout the year.

45.4 PAYE,SDL and UIF

| | | |
|---------------------------------------|-------------|-------------|
| Opening balance | - | - |
| Current year payroll deductions | 4 746 148 | 4 885 936 |
| Amount paid - current year | (4 746 148) | (4 885 936) |
| Amount paid - previous years | - | - |
| Balance unpaid (Included in payables) | - | - |

There were no payments outstanding as at 30 June

45.5 Pension and Medical Aid Deductions

| | | |
|---|-------------|-------------|
| Opening balance | | |
| Current year payroll deductions and Council Contributions | 9 106 161 | 8 730 029 |
| Amount paid - current year | (9 106 161) | (8 730 029) |
| Amount paid - previous years | - | - |
| Balance unpaid (Included in payables) | - | - |

There were no payments outstanding as at 30 June

45.6 Councillor's arrear consumer accounts

There were no elected councillor present and prior that were at any time in arrear with any consumer account in their name.

45.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

None

46 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure

| | | |
|-------------------------------|-----------|------------|
| - Approved and contracted for | 1 275 297 | 13 896 514 |
| Infrastructure | 1 275 297 | 13 896 514 |
| Community | - | - |
| Heritage | - | - |
| Other | - | - |
| Total | 1 275 297 | 13 896 514 |

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

| Note | 2013 R | 2012 R |
|---|------------------|-------------------|
| This expenditure will be financed from: | | |
| - External Loans | - | - |
| - Government Grants | 1 275 297 | 13 896 514 |
| - Own resources | - | - |
| - District Council Grants | - | - |
| | <u>1 275 297</u> | <u>13 896 514</u> |

As at 30 June 2013 the following commitments existed :

Bulk Stormwater Phase 3 Extension 5 & 6 : A consulting engineer had been appointed to commence with the planning phase of the project. The tender to construct had been appointed on 16 January 2012 to an amount of R 5 383 144.00. An additional R1,200,000 had been approved to cater for unforeseen expenses. A total amount of R 5,307,847 had been paid towards this project for the contractor fees.

47 RETIREMENT BENEFIT INFORMATION

47.1 Defined contribution plan

The municipality contributes towards the following defined contribution pension plans:

- Samwu Provident Fund
- National Fund for Municipal Workers
- Municipal Gratuity Fund
- Municipal Employee Fund
- Joint Municipal Pension Fund
- Municipals Councillors Pension Fund
- Government Employee Pension Fund
- SALA Pension Fund
- National Fund for Municipal Workers – 2% Fund
- Imatu Pension Fund

The annual contributions towards the above pension funds have been expensed and included in employee related costs for the year. Refer to note 30 above.

47.2 Defined benefit plan

The Municipality offers employees and continued members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. In-service members who joined the Municipality on or before 1 December 2005 will receive a post-employment subsidy of 60% of the contribution payable. Widow(er)s and orphans of eligible in-service members are entitled to receive this same subsidy on and after the death of an in-service employee.

Arch Actuarial Consulting CC was appointed by the Municipality to determine the actuarial valuations towards the post employment health care benefits.

The municipality contributes towards the following defined benefit plans :

- KeyHealth
- Bonitas
- LA Health
- Hosmed
- SAMWUMed

The annual contributions towards the above medical funds including for post-retirement benefits, have been expensed and are included in employee related costs for the year, however the long term obligation for continuous members are provided as follows :

In estimating the liability for post-employment health care benefits a number of assumptions are required. GRAP 25 Statement places the responsibility on management to set these assumptions as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

The key financial and demographic assumptions are summarised below:

The amounts recognised in the statement of financial position are as follows:

| | | |
|--|-------------------|------------------|
| Provision for post employment health care benefits | <u>13 365 118</u> | <u>9 449 637</u> |
|--|-------------------|------------------|

The fair value of plan assets includes:

Not applicable as there are no plan assets

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

| | Note | 2013 R | 2012 R |
|--|------|-------------------|-------------------|
| Net expense recognised in the statement of financial performance | | | |
| Opening Balance | | 9 449 637 | 8 238 080 |
| Amount included in employee related costs | | 3 915 481 | 1 211 557 |
| Current Service Cost | | 196 188 | 170 821 |
| Interest Cost | | 743 150 | 686 345 |
| Actuarial (Gain)/Loss Recognised in P&L | | 3 231 359 | (190 200) |
| Contributions / Employer Benefit Payments | | (255 216) | 544 591 |
| | | 13 365 118 | 9 449 637 |
| Key assumptions used | | | |
| Key financial assumptions used at the reporting date: | | | |
| Discount Rates used | | 8.37% | 8.18% |
| Health Care Cost Inflation Rate | | 7.40% | 7.01% |
| Net effective discount rate | | 0.90% | 1.09% |
| Key demographic assumptions used at the report date: | | | |
| Average retirement age | | 63 | 63 |
| Benefit accrual age | | | |
| Continuation of membership at retirement | | 98% | 98% |
| Proportion assumed married at retirement | | 90% | 90% |
| Proportion of eligible current non-member employees joining the scheme by retirement | | | |
| Mortality during employment | | SA 85 - 90 | SA 85 - 90 |
| Mortality post-retirement | | PA(90)-1 ultimate | PA(90)-1 ultimate |
| 48 CONTINGENT LIABILITY | | | |
| 48.1 XW Ngobeni vs Mookgophong Local Municipality | | | |
| Former employee is claiming alleged short payment on salary while in employment. Amount claimed : | | 140 086 | - |
| 49 CONTINGENT ASSET | | | |
| 49.1 JF de Beer vs Mookgophong Municipality | | | |
| Court ruled in favour of municipality, with cost to be paid by the applicant after taxation took place. The anticipated amount is : | | 556 000 | - |
| 49.2 PK Storm vs Mookgophong Municipality | | | |
| Court ruled in favour of municipality, with cost to be paid by the applicant after taxation took place. The anticipated amount is : | | 186 000 | - |
| 50 DISCLOSURE OF DEVIATIONS IN TERMS OF SECTION 36(2) OF THE SUPPLY CHAIN REGULATIONS | | | |
| Deviations in terms of limited bidding | | 2 423 965 | 862 584 |
| Deviations as a result of emergencies | | 3 431 | 382 634 |
| Deviations that could be avoided | | 741 829 | 189 636 |
| | | 3 169 225 | 1 234 854 |
| The above deviations were reported to and been approved by Council | | | |
| 51 IN-KIND DONATIONS AND ASSISTANCE | | | |
| In-kind donations and assistance from the Waterberg District Municipality | | - | - |
| <u>Description</u> | | | |
| Monetary assistance to appoint a service provider to upgrade the asset register | | | |
| 52 RELATED PARTIES | | | |
| The Municipality do not have other related entities over which a substantial influence could be exercised in the outcome of any financial transaction | | | |
| 53 EVENTS AFTER THE REPORTING DATE | | | |
| There were no events after reporting date (30 June 2012), known to management that can lead to significant changes in the statement of financial position in future. | | | |

MOOKGOPHONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

| | Note | 2013 R | 2012 R |
|---|------|-----------|-----------|
| 54 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS | | | |
| The following areas involve a significant degree of estimation uncertainty: | | | |
| <ul style="list-style-type: none"> - Useful lives and residual values of property, plant, and equipment - Recoverable amounts of property, plant and equipment - Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows) - Present value of defined benefit obligation - Fair value of plan assets - Provision for doubtful debts - Impairment of assets - Provision for long-term service award | | | |
| The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements: | | | |
| <ul style="list-style-type: none"> - Impairment of assets - Provisions | | | |
| 55 RISK MANAGEMENT | | | |
| 55.1 Credit risk exposure | | | |
| Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. | | | |
| Trade receivables comprise of a widespread consumer and tax-payer base. Management evaluates credit risk relating to customers on an ongoing basis. Customers are independently rated, based on their average consumption per month. The credit quality of the consumer or tax-payer is also assessed, taking into account its financial position, past experience and other factors (when available). | | | |
| Risk limits are annually reviewed by the council in a form of deposits payable or bank guarantees, before opening a municipal account. Once a consumer is in default, the amount of deposit payable is adjusted to the average of three months consumption. Assessment rates are collectable in terms of the Municipal Property Rates Act 2004, Act 6 of 2004. Municipal accounts in arrear are subject to the charge of interest equals a percentage of the capital amount in arrear as determined by council. | | | |
| Municipal accounts are mainly settled in cash received at the different paypoints or direct banking methods. Credit risk is further limited to a regular updating of the indigent consumer database. These category of consumers are benefiting from zero to low charges of consumption and assessment rates rebates and are financed through the Equitable Share subsidy received from National Government. | | | |
| 55.2 Liquidity risk | | | |
| The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. | | | |
| 55.3 Interest rate risk | | | |
| As the municipality has no significant interest-bearing assets and liabilities, the municipality's income, expenses and operating cash flows are substantially independent of changes in market interest rates. | | | |
| 56 RESTATEMENT OF COMPARATIVE INFORMATION | | | |
| The set of financial statements that had been presented for audit purposes as at 30 June 2010 differed from the closing balances as presented on the trial balance as on the same date. | | | |
| The opening balances as indicated on this set of financial statements corrected this error by indicating the correct movement and balances in the "2010" column on all the relevant pages. Other errors identified by the Auditor-General in the 2010 Audit Report had also been corrected as indicated in note 42 above | | | |
| 57 COMPARISON WITH THE BUDGET | | | |
| The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure D | | | |

MOOKGOPHONG LOCAL MUNICIPALITY
APPENDIX A
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2013

| | Cost / Revaluation | | | | Accumulated Depreciation | | | | | Transfers | Other movements | Carrying Value |
|------------------------------|--------------------|-----------|-----------|--------------------|--------------------------|-----------------|--------------|-----------|---|-----------------|-----------------|----------------|
| | Opening Balance | Additions | Disposals | Under Construction | Closing Balance | Opening Balance | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance | | |
| | R | R | R | R | R | R | R | R | R | R | R | R |
| Land and Buildings | | | | | | | | | | | | |
| Developed Land | 16 339 501 | - | - | - | 16 339 501 | - | - | - | - | - | - | 16 339 501 |
| Dwellings | 4 504 248 | - | - | - | 4 504 248 | (7 970) | (466 256) | - | - | (610 363) | - | 3 893 885 |
| Landfill Sites | 6 121 000 | 2 025 790 | - | - | 8 146 790 | (1 500 619) | (116 599) | - | - | (1 617 218) | - | 6 529 572 |
| Non Residential Structures | 20 132 597 | - | - | 8 945 819 | 29 078 416 | (1 108 203) | (1 938 315) | - | - | (3 046 518) | - | 26 031 898 |
| | 47 097 346 | 2 025 790 | - | 8 945 819 | 58 068 955 | (2 616 792) | (2 521 170) | - | (136 137) | (5 274 099) | - | 52 794 866 |
| Infrastructure | | | | | | | | | | | | |
| Electricity | 28 105 961 | 130 968 | - | - | 28 236 929 | (14 433 226) | (1 411 625) | - | - | (15 844 851) | - | 12 392 078 |
| Roads | 133 928 320 | - | - | 9 879 861 | 143 808 181 | (36 091 904) | (5 796 114) | - | - | (41 888 018) | - | 101 920 163 |
| Water | 31 420 819 | - | - | 12 948 538 | 44 369 357 | (17 030 560) | (1 488 639) | - | - | (18 519 199) | - | 25 850 158 |
| Sewerage | 36 020 158 | - | - | - | 36 020 158 | (20 508 756) | (2 651 389) | - | - | (23 160 145) | - | 12 860 013 |
| Solid Waste Disposal | 602 867 | - | - | - | 602 867 | (151 451) | (224 786) | - | - | (376 237) | - | 226 630 |
| | 230 078 125 | 130 968 | - | 22 828 399 | 253 037 492 | (88 215 897) | (11 572 553) | - | - | (99 788 450) | - | 153 249 042 |
| Community Assets | | | | | | | | | | | | |
| Cemeteries | 73 684 | - | - | - | 73 684 | - | (22 320) | - | - | (22 320) | - | 51 364 |
| Clinics | 279 786 | - | - | - | 279 786 | (579) | (34 652) | - | - | (35 231) | - | 244 555 |
| Community Centres | 559 147 | - | - | - | 559 147 | (676) | (44 112) | - | - | (44 788) | - | 514 359 |
| Libraries | 711 996 | - | - | - | 711 996 | (3 556) | (55 468) | - | - | (59 024) | - | 652 972 |
| Stadiums | 136 827 | - | - | - | 136 827 | - | (10 838) | - | - | (10 838) | - | 126 989 |
| Sport Facilities | 2 379 582 | - | - | - | 2 379 582 | (205) | (210 374) | - | - | (210 579) | - | 2 169 003 |
| Markets | 2 003 683 | - | - | - | 2 003 683 | (37 141) | (245 817) | - | - | (282 958) | - | 1 720 725 |
| | 6 144 705 | - | - | - | 6 144 705 | (42 167) | (623 581) | - | - | (665 738) | - | 5 478 967 |
| Intangible Assets | | | | | | | | | | | | |
| Computer Software | 924 521 | - | - | - | 924 521 | (678 672) | (94 423) | - | - | (773 095) | - | 151 426 |
| | 924 521 | - | - | - | 924 521 | (678 672) | (94 423) | - | - | (773 095) | - | 151 426 |
| Other Assets | | | | | | | | | | | | |
| Machinery and Equipment | 6 583 454 | 27 105 | - | - | 6 610 559 | (5 160 713) | (528 661) | - | - | (5 689 374) | - | 921 185 |
| Furniture & Office Equipment | 6 095 043 | 310 427 | - | - | 6 405 470 | (5 117 823) | (1 100 315) | - | - | (6 218 138) | - | 187 332 |
| Computer Equipment | 2 926 524 | 10 799 | - | - | 2 937 323 | (2 587 263) | (163 418) | - | - | (2 750 681) | - | 186 642 |
| Transport Assets | 9 100 790 | - | - | - | 9 100 790 | (7 271 792) | (788 323) | - | - | (8 060 115) | - | 1 040 675 |
| | 24 705 811 | 348 331 | - | - | 25 054 142 | (20 137 591) | (2 580 717) | - | - | (22 718 308) | - | 2 335 834 |
| Investment Assets | | | | | | | | | | | | |
| Undeveloped Land | 11 563 608 | - | - | - | 11 563 608 | - | - | - | - | - | - | 11 563 608 |
| | 11 563 608 | - | - | - | 11 563 608 | - | - | - | - | - | - | 11 563 608 |
| Total | 320 514 116 | 2 505 089 | - | 31 774 218 | 354 793 423 | (111 691 109) | (17 392 444) | - | (136 137) | (129 219 690) | - | 225 573 733 |

MOOKGOPHONG LOCAL MUNICIPALITY
APPENDIX A
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

| | Cost / Revaluation | | | | Accumulated Depreciation | | | | | Transfers | Other movements | Carrying Value |
|------------------------------|--------------------|-----------|-----------|--------------------|--------------------------|-----------------|--------------|-----------|---|-----------------|-----------------|----------------|
| | Opening Balance | Additions | Disposals | Under Construction | Closing Balance | Opening Balance | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance | | |
| | R | R | R | R | R | R | R | R | R | R | R | R |
| Land and Buildings | | | | | | | | | | | | |
| Developed Land | 16 339 501 | - | - | - | 16 339 501 | - | - | - | - | - | - | 16 339 501 |
| Dwellings | 4 504 248 | - | - | - | 4 504 248 | 59 744 | (83 334) | - | - | (7 970) | - | 4 486 278 |
| Landfill Sites | 6 121 000 | - | - | - | 6 121 000 | (1 257 441) | (243 178) | - | - | (1 500 619) | - | 4 620 381 |
| Non Residential Structures | 20 132 597 | - | - | 8 945 819 | 29 078 416 | (375 225) | (732 978) | - | - | (1 108 203) | - | 27 970 213 |
| | 47 097 346 | - | - | 8 945 819 | 56 043 165 | (1 572 922) | (1 039 490) | - | (4 380) | (2 616 792) | - | 53 426 373 |
| Infrastructure | | | | | | | | | | | | |
| Electricity | 27 843 051 | 282 910 | - | - | 28 105 961 | (13 002 164) | (1 431 062) | - | - | (14 433 226) | - | 13 672 735 |
| Roads | 133 114 670 | 813 650 | - | 3 249 426 | 137 177 746 | (30 091 408) | (5 915 950) | - | - | (36 091 904) | - | 101 085 842 |
| Water | 31 420 819 | - | - | 3 786 005 | 35 206 824 | (13 391 933) | (1 752 422) | - | (84 546) | (17 030 560) | - | 18 176 264 |
| Sewerage | 36 020 158 | - | - | - | 36 020 158 | (17 857 321) | (2 651 435) | - | (1 886 205) | (20 508 756) | - | 15 511 402 |
| Solid Waste Disposal | 802 867 | - | - | - | 802 867 | (669) | (149 999) | - | (783) | (151 451) | - | 451 416 |
| | 229 001 565 | 1 076 560 | - | 7 035 431 | 237 113 556 | (74 343 495) | (11 900 868) | - | (1 971 534) | (88 215 897) | - | 148 897 659 |
| Community Assets | | | | | | | | | | | | |
| Cemeteries | 73 684 | - | - | - | 73 684 | 9 934 | (9 934) | - | - | - | - | 73 684 |
| Clinics | 279 786 | - | - | - | 279 786 | 5 770 | (6 349) | - | - | (678) | - | 279 207 |
| Community Centres | 559 147 | - | - | - | 559 147 | 28 591 | (29 267) | - | - | (676) | - | 558 471 |
| Libraries | 711 996 | - | - | - | 711 996 | 18 386 | (21 942) | - | - | (3 556) | - | 708 440 |
| Stadiums | 136 827 | - | - | - | 136 827 | 25 255 | (25 255) | - | - | (205) | - | 136 827 |
| Sport Facilities | 2 379 582 | - | - | - | 2 379 582 | (34 956) | (40 240) | (40 445) | - | (37 141) | - | 2 379 377 |
| Markets | 2 003 683 | - | - | - | 2 003 683 | (2 185) | (54 692) | - | - | (42 157) | - | 1 966 542 |
| | 6 144 705 | - | - | - | 6 144 705 | 52 980 | (54 692) | - | - | (42 157) | - | 6 102 548 |
| Intangible Assets | | | | | | | | | | | | |
| Computer Software | 924 521 | - | - | - | 924 521 | (546 253) | (132 419) | - | - | (678 672) | - | 245 849 |
| | 924 521 | - | - | - | 924 521 | (646 253) | (132 419) | - | - | (678 672) | - | 245 849 |
| Other Assets | | | | | | | | | | | | |
| Machinery and Equipment | 6 583 454 | - | - | - | 6 583 454 | (4 413 426) | (720 833) | - | - | (5 160 713) | - | 1 422 741 |
| Furniture & Office Equipment | 5 507 832 | 587 211 | - | - | 6 095 043 | (4 098 877) | (1 009 422) | - | (26 454) | (5 117 823) | - | 977 220 |
| Computer Equipment | 2 926 524 | - | - | - | 2 926 524 | (2 318 389) | (268 874) | - | - | (2 587 263) | - | 339 261 |
| Transport Assets | 9 100 790 | - | - | - | 9 100 790 | (6 244 926) | (1 013 706) | - | (13 160) | (7 271 792) | - | 1 828 998 |
| | 24 118 600 | 587 211 | - | - | 24 705 811 | (17 075 618) | (3 012 835) | - | (49 138) | (20 137 591) | - | 4 568 220 |
| Investment Assets | | | | | | | | | | | | |
| Undeveloped Land | 11 563 608 | - | - | - | 11 563 608 | - | - | - | - | - | - | 11 563 608 |
| | 11 563 608 | - | - | - | 11 563 608 | - | - | - | - | - | - | 11 563 608 |
| Total | 318 850 345 | 1 663 771 | - | 15 981 250 | 336 495 366 | (93 485 308) | (16 140 304) | (40 445) | (2 025 052) | (111 691 109) | - | 224 804 257 |

MOOKGOPHONG LOCAL MUNICIPALITY

APPENDIX B

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

as at 30 June 2013

| | Opening Balance R | WIP Released | Cost / Revaluation | | | | Accumulated Depreciation & Impairment | | | | Carrying value R |
|-----------------------------|-------------------------|-----------------|--------------------|----------------------------|----------------|-------------------------|---------------------------------------|-------------------|----------------|-------------------------|---------------------|
| | | | Additions R | Under Construction R | Disposals R | Closing Balance R | Opening Balance R | Additions R | Disposals R | Closing Balance R | |
| Executive & Council | 35 699 251 | - | 2 028 856 | - | - | 37 728 107 | 10 294 537 | 1 855 060 | - | 12 149 597 | 25 578 510 |
| Finance & Admin | 5 553 546 | - | 318 531 | - | - | 5 872 077 | 4 650 943 | 590 447 | - | 5 241 390 | 630 687 |
| Planning & Development | 37 009 373 | - | - | 8 945 819 | - | 45 955 192 | 7 360 568 | 2 347 929 | - | 9 708 497 | 36 246 695 |
| Community & Social Services | 12 531 943 | - | - | - | - | 12 531 943 | 1 357 166 | 767 514 | - | 2 124 680 | 10 407 263 |
| Public Safety | 2 060 495 | - | 26 734 | - | - | 2 087 229 | 1 230 622 | 221 542 | - | 1 452 184 | 635 065 |
| Sport & Recreation | 5 453 741 | - | - | - | - | 5 453 741 | 284 221 | 624 304 | - | 908 525 | 4 545 216 |
| Road Transport | 124 662 420 | - | - | 9 879 861 | - | 134 542 281 | 32 859 465 | 5 380 802 | - | 38 240 267 | 96 302 014 |
| Water | 25 520 214 | - | - | 12 948 538 | - | 38 468 752 | 14 271 731 | 1 289 712 | - | 15 561 443 | 22 907 309 |
| Electricity | 30 195 124 | - | 130 968 | - | - | 30 326 092 | 16 148 048 | 1 581 010 | - | 17 729 058 | 12 597 034 |
| Waste Water Management | 41 828 009 | - | - | - | - | 41 828 009 | 23 233 807 | 2 870 262 | - | 26 104 069 | 15 723 940 |
| Total | 320 514 116 | - | 2 505 089 | 31 774 218 | - | 354 793 423 | 111 691 108 | 17 528 582 | - | 129 219 690 | 225 573 733 |

MOOKGOPHONG LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2013

| | 2012 | | 2013 | | | 2013 | | |
|--------------|-----------------------|-------------------------|-----------------------|-------------------------|-----------------------------|-----------------------|-------------------------|------------------------------------|
| | Actual Income R | Actual Expenditure R | Actual Income R | Actual Expenditure R | | Actual Income R | Actual Expenditure R | Actual Surplus / (Deficit) R |
| | 41 086 | 14 482 795 | 59 706 | 12 627 988 | Executive & Council | | | (12 568 282) |
| | 18 336 827 | 24 043 197 | 22 275 206 | 33 793 250 | Finance & Admin | | | (11 518 044) |
| | 26 833 721 | 1 964 530 | 45 236 588 | 2 940 385 | Planning & Development | | | 42 296 203 |
| | 135 470 | 1 858 899 | 197 303 | 2 857 239 | Community & Social Services | | | (2 659 936) |
| | 3 712 757 | 3 955 892 | 4 709 357 | 3 756 740 | Public Safety | | | 952 617 |
| | 95 | 1 878 480 | - | 2 295 638 | Sport & Recreation | | | (2 295 638) |
| | 3 110 825 | 4 671 155 | 3 385 345 | 4 719 766 | Waste Management | | | (1 334 421) |
| | 40 954 | 11 691 550 | 1 032 956 | 8 815 745 | Road Transport | | | (7 782 789) |
| | 4 801 729 | 6 250 238 | 3 941 455 | 10 502 601 | Water | | | (6 561 146) |
| | 30 578 026 | 36 507 525 | 31 936 224 | 41 134 267 | Electricity | | | (9 198 043) |
| | 3 453 048 | 5 811 203 | 3 472 844 | 4 131 197 | Waste Water Management | | | (658 353) |
| Total | 91 044 538 | 113 115 464 | 116 246 984 | 127 574 816 | | | | (11 327 832) |

MOOKGOPHONG LOCAL MUNICIPALITY
APPENDIX D

STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION
as at 30 June 2013

| Description | Original Budget | Budget Adjustments (L.L.O. s28 & s31 Of The MFMA) | Virement (L.L.O. Council approved by-law) | Final Budget | Actual Performance | Unauthorised Expenditure | Variance | Actual Performance As % Of Final Budget | Explanation of variances more than 10% |
|--|---------------------|---|---|---------------------|---------------------|--------------------------|---------------------|---|--|
| | 1 R | 2 R | 3 R | 4 R | 5 R | 6 R | 7 R | 8 R | 9 R |
| Financial Performance | | | | | | | | | |
| Property Rates | 15 462 335 | 2 605 665 | - | 18 068 000 | 16 902 391 | - | (1 165 609) | 94% | |
| Service Charges | 58 821 540 | (7 607 540) | - | 51 214 000 | 42 710 167 | - | (8 503 833) | 83% | Water and Electricity billed is lower than anticipated, due to consumer savings. |
| Rental of Facilities | 118 500 | (26 500) | - | 92 000 | 147 889 | - | 55 889 | 161% | More bookings were done and new rental contracts. |
| Investment Revenue | 40 000 | 40 000 | - | 80 000 | 297 819 | - | 217 819 | 372% | Call accounts were kept longer than anticipated. |
| Interest Earned on Outstanding Receivables | 1 500 000 | 1 948 000 | - | 3 448 000 | 2 931 813 | - | (516 187) | 85% | Adjustments budget not correctly anticipated. |
| Fines, Licences and Permits | 180 500 | (142 500) | - | 38 000 | 43 463 | - | 5 463 | 114% | More licences were issued than anticipated. |
| Agency Services | 3 271 861 | 1 026 139 | - | 4 298 000 | 4 601 916 | - | 303 916 | 107% | |
| Transfers Recognised - Operational | 29 939 000 | 327 850 | - | 30 266 850 | 29 287 322 | - | (979 528) | 97% | |
| Other Own Revenue | 422 300 | 239 700 | - | 662 000 | 645 616 | - | (16 384) | 98% | |
| Gain on the disposal of an asset | - | - | - | - | - | - | - | 0% | |
| Total Revenue (Excluding Capital Transfers & Contributions) | 109 756 036 | (1 589 186) | - | 108 166 850 | 97 568 396 | - | (10 598 454) | 90% | |
| Employee Costs | 37 075 016 | 1 303 984 | - | 38 379 000 | 42 351 462 | (3 972 462) | 3 972 462 | 110% | |
| Remuneration Of Councillors | 2 610 868 | 223 132 | - | 2 834 000 | 2 858 289 | (24 289) | 24 289 | 101% | |
| Debt Impairment | 500 000 | 800 000 | - | 1 300 000 | 3 336 900 | (2 036 900) | 2 036 900 | 0% | |
| Depreciation & Asset Impairment | 17 009 523 | 636 477 | - | 17 646 000 | 17 528 581 | 117 419 | (117 419) | 99% | |
| Finance Cost | - | - | - | - | 1 343 086 | (1 343 086) | 1 343 086 | 0% | |
| Bulk Purchases | 32 135 339 | (2 779 339) | - | 29 356 000 | 32 125 371 | (2 769 371) | 3 063 978 | 109% | Maintenance of assets not according to plan. |
| Other Materials | 11 622 404 | (4 372 404) | - | 7 250 000 | 4 156 022 | (3 093 978) | (3 093 978) | 57% | |
| Contracted Services | 5 651 100 | 986 900 | - | 6 638 000 | 7 431 130 | (793 130) | 793 130 | 112% | Security Services and Tax consultant fees were more than anticipated. |
| Other Expenditures | 16 007 413 | 1 600 587 | - | 17 608 000 | 16 443 975 | 1 164 025 | (1 164 025) | 93% | |
| Total Expenditure | 122 611 663 | (1 600 663) | - | 121 011 000 | 127 574 816 | (6 563 816) | 6 563 816 | 105% | |
| Surplus/(Deficit) | (12 855 627) | 11 477 | - | (12 844 150) | (30 006 420) | 6 563 816 | (17 162 270) | (0) | |
| Transfers Recognised - Capital | 25 130 764 | (3 302 634) | - | 21 828 150 | 18 678 588 | - | (3 149 562) | 86% | |
| Contributions Recognised - Capital & Contributed Assets | - | - | - | - | - | - | - | 0% | |
| Surplus/(Deficit) After Capital Transfers & Contributions | 12 275 157 | (3 291 157) | - | 8 984 000 | (11 327 832) | 6 563 816 | (20 311 832) | -126% | |
| Share Of Surplus/(Deficit) Of Associate | - | - | - | - | - | - | - | - | |
| Surplus/(Deficit) For The Year | 12 275 157 | (3 291 157) | - | 8 984 000 | (11 327 832) | 6 563 816 | (20 311 832) | -126% | |
| Capital Expenditure & Funds Sources | | | | | | | | | |
| Capital Expenditure | | | | | | | | | |
| Transfers Recognised - Capital | 25 130 764 | (3 302 634) | - | 21 828 150 | 18 678 588 | - | (3 149 562) | 86% | |
| Public Contributions & Donations | - | - | - | - | - | - | - | 0% | |
| Borrowing | - | - | - | - | - | - | - | 0% | |
| Internally Generated Funds | - | - | - | - | - | - | - | 0% | |
| Total Sources Of Capital Funds | 25 130 764 | (3 302 634) | - | 21 828 150 | 18 678 588 | - | (3 149 562) | 86% | |